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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
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Nelson Schneider

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EXAMINER

VIG, NARESH

ART UNIT

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3629

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PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Office Action Summary	Application No. 10/714,924	Applicant(s) SCHNEIDER, NELSON	
	Examiner NARESH VIG	Art Unit 3629	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 18 November 2003.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-43 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-43 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
 2. ☐ Certified copies of the priority documents have been received in Application No. _____.
 3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413) |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | Paper No(s)/Mail Date. _____ |
| 3) <input checked="" type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08) | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| Paper No(s)/Mail Date <u>20031203</u> . | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

Claim Rejections - 35 USC § 101

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1 – 43 are not patentable because the claimed invention is directed to non-statutory subject matter. Based on Supreme Court precedent¹ and recent Federal Circuit decisions, A "process" under § 101 must (1) be tied to another statutory class (such as a particular apparatus) or (2) transform underlying subject matter (such as an article or materials) to a different state or thing.² If neither of these requirements is met by the claim, the method is not a patent eligible process under § 101 and should be rejected as being directed to nonstatutory subject matter. Moreover, the recitation of "computer implemented" in the preamble with the absence of a computer in the body of the claim or a lack of "another statutory class" in the body of the claim does not make the claim statutory.

¹ *Diamond v. Diehr*, 450 U.S. 175, 184 (1981); *Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972); *Cochrane v. Deener*, 94 U.S. 780, 787-88 (1876)

² *The Supreme Court recognized that this test is not necessarily fixed or permanent and may evolve with technological advances.* *Gottschalk v. Aenson*, 409 U.S. 63, 71 (1972)

Claim Rejections - 35 USC § 112

The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

Claims 1 – 43 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. Applicant's claimed invention of performing a business transaction recites limitation in claim 1 line 2 as receiving a partial present interest in real property from a first party. As currently claimed, it is not clear which party (second party, third party, intermediary) receives the partial present interest in the property. To further the prosecution of the application, examiner reads the limitation as second party receiving a partial interest in real property from a first party. Appropriate correction is requested.

Claims 20 and 22 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. As currently claimed, it is not clear whether the intermediary (settlement company) is also the second party (i.e. investor), or, intermediary is an unbiased settlement company to closed the transaction. Appropriate correction is requested.

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 1 – 43 are rejected under 35 U.S.C. 103(a) as being unpatentable over Rebecca Rosen Lum article “California Lawmaker Proposes Stiffening Penalties for Defrauding Elders” hereinafter known as Lum in view of Mufti Taqi Usmani article “Principles of Shariah Governing Islamic Investment Funds” hereinafter known as Usmani.

Regarding claim 1, as best understood by examiner, Lum teaches concept performing a business transaction which involved Home Equity Sales Contract.

Even though Lum does not explicitly teach second party (i.e. investor) receiving a partial present interest in real property from a first party (i.e. owner of the real property). However, it is old and known to one of ordinary skill in the art that **unless the home is fully paid off, i.e. there is no mortgage on the property, home owners equity is partial present interest in the property (Current Appraised value of home less Balance Principal of the Loan)**. Usmani teaches Equity Fund wherein investor invests in an asset and achieves profit through capital gains by selling shares when their prices are increased. In addition Usmani teaches plurality of funding systems wherein the

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owner does to have to pay interest for borrowing funds, and allows the owners to buy back shares of their real estate from investor.

Therefore, at the time of invention, it would have been obvious to one of ordinary skill in the art to modify Lum by adopting teachings of Usmani to be share the future appreciation of the real estate, apply a known technique to a known device or method ready for improvement to yield predictable result.

Lum in view of Usmani teaches concept for:

receiving a partial present interest in real property from a first party; and

transferring consideration (funds) from a second party to the first party for the partial present interest, wherein the real property is a primary residence of the first party and said consideration at least one asset (an amount of money), and a written agreement by the second party to waive rights to control and sale of the real property (terms of contract).

Regarding claim 2, Lum in view of Usmani teaches capability wherein the partial present interest in the real property is a minority interest

Regarding claim 3, Lum in view of Usmani teaches capability wherein said at least one asset includes an amount of money.

Regarding claim 4, Lum in view of Usmani teaches capability computing the amount of money based on a currently appraised value of the real property (**it is old an**

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known business practice the investors like Financial Institutions give Home Equity Loans or Home Equity Lines of Credit which are based on the appraised value of the real property, aka LTV).

Regarding claim 5, Lum in view of Usmani teaches capability wherein computing the amount of money based is on a net equity the first party owns in the real property.

Regarding claim 6, Lum in view of Usmani teaches capability for:

computing a first sum equal to a first predetermined percentage of a currently appraised value of the real property (e.g. LTV = 80%);

computing a second sum equal to a second predetermined percentage of a net equity the first party owns in the real property (e.g. HELOC or HEL lending criteria, Total LTEquity \leq 80 %, and); and

selecting a lesser of the first sum and the second sum as the amount of money transferred from the second party to the first party (obvious business practice for investor, wherein investor protects investment by not overpaying for assets).

Regarding claim 7, Lum in view of Usmani teaches capability wherein the first predetermined percentage is less than the second predetermined percentage.

Regarding claim 8, Lum in view of Usmani teaches capability wherein in the written agreement the second party retains a right to receive proceeds from a sale of the real property (i.e. terms of a contract).

Regarding claim 9, Lum in view of Usmani teaches capability wherein in the written agreement the second party retains a right to approve a sale price of the real property (i.e. terms of a contract).

Regarding claim 10, Lum in view of Usmani teaches capability wherein receiving the partial present interest from the first party is subject to a condition that the first party pay all costs and expenses associated with maintaining the real property (i.e. terms of a contract).

Regarding claim 11, The method of claim 1, wherein receiving the partial present interest from the first party is subject to a condition that the first party pay taxes, insurance, and debt payments associated with the real property.

Regarding claim 12, Lum in view of Usmani teaches capability wherein transferring said consideration is subject to a condition that the first party has a minimum net equity in the real property (i.e. investor specific lending terms, terms of a contract).

Regarding claim 13, Lum in view of Usmani teaches capability wherein transferring said consideration is subject to a condition that the first party pay all costs associated with said transfer (i.e. terms of a contract).

Regarding claim 14, Lum in view of Usmani teaches capability wherein receiving the partial present interest from the first party is subject to a condition that the first party has an unrestricted right to reacquire all or a portion of the partial present interest from the second party.

Regarding claim 15, Lum in view of Usmani teaches capability wherein reacquisition of the partial present interest by the first party includes paying the second party a sum based on a current appraisal of the real property.

Regarding claim 16, Lum in view of Usmani teaches capability for structuring the transaction so that the first party can retain tax benefits equal to full ownership of the real property (i.e. terms of a contract).

Regarding claim 17, Lum in view of Usmani teaches capability wherein said tax benefits can include a mortgage interest deduction, a property tax deduction, and a deferral of income realized by sale of the real property (i.e. terms of a contract).

Regarding claim 18, Lum in view of Usmani teaches capability for transferring the partial present interest in the real property from the second party to a third party, wherein the third party agrees to waive the same rights as the second party as set forth in the written agreement (i.e. terms of a contract, in addition, reselling of mortgage for a lending institution to another investing institution is old and known business practice, for example, Fannie Mae, Freddie Mac, Countrywide etc).

Regarding claim 19, Lum in view of Usmani teaches capability wherein the second party retains no ownership interest in the real property after the partial present interest is transferred to the third party (**obvious that when shares in an entity is sold, seller does not have ownership rights to the shares sold by the seller**).

Regarding claim 20, Lum in view of Usmani teaches capability for performing administrative functions relating to the transfer of the partial present interest to the third party, said administrative functions being performed by the second party and including recording the interest listing the first party and third party as owners of the real property (**obvious, in this transaction third party becomes the investor**).

Regarding claim 21, Lum in view of Usmani teaches capability for releasing the interest to the third party subject to approval of a sale price of the real property by the second party.

Regarding claim 22, even though, Lum in view of Usmani does not specifically recite providing an intermediary (e.g. settlement attorney) between the first and second parties, wherein the intermediary administrates transfer of the partial present interest to the second party and transfer of said consideration to the first party. However, **it is an old an known business practice that at the time of closing, an intermediary like a settlement attorney administers the closing of the real estate transaction.**

Therefore, at the time of invention, it would have been obvious to one of ordinary skill in the art to modify Lum in view of Usmani and use the services of an intermediary to have a non biased entity conclude the transaction, apply a known technique to a known device or method ready for improvement to yield predictable result.

Regarding claim 23, Lum in view of Usmani teaches capability wherein the intermediary can own the partial present interest in the real property prior to transfer to the second party (seller is a settlement attorney, settlement attorney is also one of the partial investors in the property, etc.).

Regarding claim 24, Lum in view of Usmani teaches capability wherein the intermediary acquires no ownership interest in the real property at any time.

Regarding claim 25, Lum in view of Usmani teaches capability for performing administrative functions relating to the transfer of the partial present interest to the third party, said administrative functions being performed by the intermediary and including

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recording the interest listing the first party and second party as owners of the real property.

Regarding claim 26, Lum in view of Usmani teaches capability for releasing the interest to the second party subject to approval of a sale price of the real property by one of the intermediary and the second party.

Regarding claim 27, Lum in view of Usmani teaches capability wherein the partial present interest and said consideration is transferred directly between the first and second parties subject to payment of a fee to the intermediary.

Regarding claim 28, Lum in view of Usmani teaches capability wherein said fee includes at least a sales commission (**paying of sales commission in a real estate transaction is old and known to one of ordinary skill in the art at the time of invention**).

Regarding claim 29, Lum in view of Usmani teaches capability for selling the real property; and distributing proceeds from the sale based on respective ownership interests in the first and second parties (for example, distribution of proceeds in a sale to shareholders, e.g. Tenancy in Common).

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Regarding claim 30, Lum in view of Usmani teaches capability wherein sale of the real property is conditioned upon a tax status of the sale (**old an known concept known to one of ordinary skill in the art, for example, capital gains like reduces to 15% if sold after one year aka Long-Term Capital Gain, no federal tax when primary residence is sold after 2 years**).

Regarding claim 31, Lum in view of Usmani teaches capability wherein said tax status includes treatment of the sale as a long-term capital gain.

Regarding claims 32 – 34, Lum in view of Usmani teaches capability wherein the real property can be a house, a townhouse, condominium.

Regarding claims 35 – 36, Lum in view of Usmani teaches capability wherein the second party can be an individual investor, an institutional investor.

Regarding claim 37, Lum in view of Usmani teaches capability wherein consideration can also includes payment of a debt associated with the property, and

Regarding claim 38, Lum in view of Usmani teaches capability wherein said debt can include payments associated with financing the real property.

Regarding claim 39, Lum in view of Usmani teaches capability wherein in the written agreement the second party waives a right to receive a pro rata deduction of Federal, state, or local income taxes as a result of the ownership interest obtained by the second party from the sale (e.g. terms of a contract).

Regarding claim 40, Lum in view of Usmani teaches capability wherein when the property is sold to a buyer:

- the second party agrees to defer collecting proceeds from the sale; and
- the buyer agrees to allow the second party to retain the partial property interest in the property.

Regarding claim 41, Lum in view of Usmani teaches capability wherein the property can sold to the buyer for an amount based on the sales price of the property less the value of the partial property interest held by the second party in the property.

Regarding claim 42, Lum in view of Usmani teaches capability wherein the business transaction can performed in a manner which does not have to require a deed transfer (e.g. shares sold from one entity to another).

Regarding claim 43, Lum in view of Usmani teaches capability wherein the business transaction is performed in a manner which does not trigger a due-on-sale clause of a mortgage of the property (e.g. terms of a contract).

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Conclusion

The prior art made of record and not relied upon is considered pertinent to applicant's disclosure. Applicant is required under 37 CFR '1.111 (c) to consider the references fully when responding to this office action.

1. The Property Appraisal Helps Determine Your Loan Amount
2. Shared Equity Financing: Boon to First-Time Buyers
3. SEFAs Can Help Parents Buy Houses For Their Children – Shared Equity Financing Agreement

Any inquiry concerning this communication or earlier communications from the examiner should be directed to NARESH VIG whose telephone number is (571)272-6810. The examiner can normally be reached on Mon-Thu 7:00 - 5:30.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, John Weiss can be reached on (571) 272-6812. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

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Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

September 11, 2008

/Naresh Vig/
Primary Examiner, Art Unit 3629